



Approved
by the decision
of the Board of Directors
of JSC “Samruk-Energy”
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Minutes № 86

CORPORATE MANAGEMENT SYSTEM

Regulations of Assessment and Remuneration of Top Executives and Managerial Employees of the JSC “Samruk-Energy”

PR19-01-04-08

Astana 2014

1 Principles

1. The present Regulations were designed to determine terms and procedure of assessment and remuneration payment to Top executives and managerial employees of the JSC “Samruk-Energy”.
2. The present Regulations shall be based on the following principles:
 - 1) interrelation between remuneration and executed work that meet interest of the Company and its shareholder(s);
 - 2) simplicity and clarity of principles of amount of remuneration determination;
 - 3) dependence of remuneration amount on the results of the Company’s performance and employees’ efficiency.

2 Field of Application

3. The present Regulations are applicable to all Top executives and managerial employees of the JSC “Samruk-Energy”.
4. The present Regulations aren’t applicable to foreign employees, attracted in prescribed procedure, if labour agreement doesn’t provide other terms.

3 Definitions and Abbreviations

5. In the present Regulations the following Definitions and Abbreviations are used:
 - 1) **the Fund** – the JSC “Samruk-Kazyna”;
 - 2) **official salary** – fixed amount of employee salary per month for performance of official duties with inclusive of employee skills, complexity, amount, quality and terms of work;
 - 3) **employee** – individual labour relations with the Company under the terms of labour agreement;
 - 4) **Top executives** – the Chairman of the Management Board, deputies of the Chairman of the Management Board, members of the Management Board of the Company;
 - 5) **managerial employees** – the Head of Office Administration, Managing directors, Division Managers except for the members of the Management Board of the Company;
 - 6) **KPI** – the key performance indicators, describing efficiency of financial and production performance of the Company and degree of achievement of strategic goals;
 - 7) **motivational KPI** – performance indicators, included to employees remuneration system for maintaining of its efforts for achievement of priority goals within this accounting period.

- 8) **corporate KPI** – type of motivational KPI, which determines remuneration amount for results of the Company’s work, which is the common for all employees of the Company;
- 9) **functional KPI**– type of motivational KPI that sets differentiated for each employee and determines remuneration amount for employee’s performance;
- 10) **significance of KPI** –rate of importance and priority of indicator regarding to another indicators;
- 11) **threshold** – rate of KPI describing minimal expectations from performance results that may be achieved by good faith fulfillment of official duties, which corresponds to the best of the following rate: planning rate for planning year (from Development Plan) before a planning one;
- 12) **goal** –rate of KPI, describing expectation level of high performance results;
- 13) **challenge**– rate of KPI, describing remarkable performance results assisting implementation of ambitious goals of the Fund;
- 14) **KPI effectiveness** – rate of achievement of KPI goals;
- 15) **final effectiveness** – an average effectiveness of all motivational KPI;
- 16) **ARC**– Appointments and Remuneration Committee;
- 17) **LTIP**–Long-Term Incentive Plan;
- 18) **Department Responsible** – Department of Economics and Tariff Planning.

4 Charges

6. Department Responsible shall be in charge of management and fulfillment of the present Regulations.

5 Normative references and related documents

7. The present Regulations were designed in compliance with requirements of the following normative documents:
- 1) The Laws of the Republic of Kazakhstan;
 - 2) Policy of assessment and remuneration of Top executives and managerial employees of the Companies of the JSC “Samruk-Kazyna”;
 - 3) The Regulations of internal normative documentation management.

6 Efficiency assessment of Top executives and managerial employees

8. Procedure of efficiency assessment of Top executives and managerial employees includes the following stages:
- 1) selection of motivational KPI, setting of target rates;
 - 2) approval of motivational KPI;
 - 3) efficiency monitoring;

4) accounting and approval of actual performance.

9. Motivational KPI are developed as KPI maps (RF 01 PR 19-01-03-08 to the present Regulations) by cascading strategic goals of the Company in certain performance indicators.

10. KPI maps for Top executives are developed by Appointments and Remuneration Committees of the Company and agreed with employees for the optimum amount of KPI (3 -7), placement of significance and adequacy of target rates.

11. KPI maps are prepared by Department Responsible for approval by corresponding bodies in prescribed procedure no later than March 31 of accounting year.

12. Monitoring of execution motivational KPI by Top executives are carried out by ARC every quarter of a year in prescribed procedure simultaneously with monitoring of Development Plan of KPI.

13. Adjustment of KPI maps is carried out by Department Responsible in case of unforeseen circumstances, considerably influencing on performance indicators efficiency and beyond the efforts of management company, as well as due to:

1) availability of new/ rejecting the existing business processes/trends of performance;

2) adjustment of the long-term development strategy of the Company;

3) changing of organizational system of the Company.

At the same time KPI maps can't be adjusted after September 1 of accounting year.

14. In case of replacement of employee, responsible for certain business process/performance trend, Department Responsible immediately inform employee, appointed as responsible for business process/performance trend, on approved KPI map agreement/adjustment and the following approval in prescribed procedure.

15. After finishing of accounting period employees fill KPI maps with actual rates (RF 02 PR 19-01-03-08 to the present Regulations) and grant them to Department Responsible.

16. Department Responsible converts actual rates of KPI to percentage of efficiency, calculates remuneration amounts and sends it to IAS of the Company for verification of actual rates of KPI and calculation of remunerations amounts.

17. KPI maps with actual rates and calculations of remuneration amounts, agreed with IAS, Department Responsible submits for consideration of ARC in prescribed procedure.

18. ARC appraises performance and prepares recommendation for the adoption of payment/nonpayment remuneration decision by management body.

7 Performance results remunerations

19. Performance results remunerations (short-term and long-term remunerations) are paid according to the results of performance for materials rewarding of achievements and improvement of performance efficiency aren't permanent and aren't included at average salary.

20. Performance results remunerations are awarded to the proportional performed time to corresponding position except for periods of disciplinary actions and temporary disability. For calculation of remuneration time of vacation (work days), business trip days (including training courses) include to actual work hours.

21. ARC is entitled to make decision on nonpayment of performance results remuneration in the following cases:

- 1) fail in performing threshold rates of certain corporate KPI;
- 2) execution of functional KPI of final performance is less than 50 % (including);

22. According to recommendations of ARC, in case of cancellation (termination) of labour agreement according to grounds prescribed in article 52,53, subparagraph 2), 4),14) (in case of innocence of employee), 17) paragraph 1 article 54,subparagraphs 1), 3), 5) paragraph 1 article 58, articles 59, 60, as well as article 252 of the Labour Code of the Republic of Kazakhstan (in case of innocence of employee), performance results remunerations for accounting period may be paid in accordance with the present Regulations in case of approved in prescribed procedure KPI map in proportional work hours.

23. In case of cancellation (termination) of labour agreement according to grounds prescribed in articles 57, 253 of the Labour Code of the Republic of Kazakhstan after finishing of accounting period, remunerations are paid in accordance with the present Regulations.

24. Performance results remunerations are paid within funds prescribed for these purposes of the Company's budget after approval in prescribed procedure the results of financial and economic performance on the basis audit financing accountability for accounting period.

25. Performance results remunerations should be paid in accordance with methodic recommendations, according to Annex 1 of these present Regulations. Example of payment of long-term incentive is applied in Annex 2 of these present Regulations.

26. For calculation and payment of remunerations not regulated by the present Regulations, decisions are made by the Board of Directors of the Company according to recommendations of ARC.

27. Formation of actual amount for repayment of performance result remunerations is performed in accounting by reserve establishing.

§ 1 Procedure and Terms of short-term remuneration payment (performance results remunerations for year)

28. The major term for remuneration payment for year is presence of consolidated final income for accounting year with accounted planning amount for remuneration payment.

29. Employees, performed in accounting period not less than 5 (five) month are entitled to receive remuneration for annual performance, at the result of implementation of

approved KPI for accounting year, as well as appointed employees, which approved KPI maps before August 1 of accounting year.

30. Limit amounts of remuneration for annual performance of Top executives can't exceed 3 amounts of annual salary (wage) of an employee. In case receiving of long-term incentive, limit amount of short-term remuneration is reduced to one official salary.

31. Limit amounts of remuneration of managerial employees are no more than 16 (sixteen) official salaries.

32. Planning funds for remuneration payments for annual performance is based on planned indicator of final income, planned number of employees and annual amounts of each employee's salary.

§ 2 Procedure and Terms of long-term incentive

33. Long-term incentive of performance is prescribed for encouragement of achievement of goals by Top executives, which impact on sustainable development of business in long-term associated with growth of long-term value of the Company.

34. The duration of Procedure of Long-Term Incentive is three years since launching of program.

35. Procedure of Long-Term Incentive is implemented in three stages:

- 1) approval of long-term KPI maps for Top executives – participants of Procedure of Long-Term Incentive and period of Procedure of Long-Term Incentive;
- 2) implementation by Top executives within period of Procedure of Long-Term Incentive achievement of fixed rates of KPI;
- 3) the Board of Directors appraisal achievement of long-term KPI and making decision on payment/nonpayment of long-term incentive.

36. Approval of long-term KPI maps and list of participants of Procedure of Long-Term Incentive is carried out by the Board of directors of the Company annually within 3 years according to recommendations of ARC.

37. After approval of long-term KPI maps, Top executive takes commitments according to RF 03 PR 19-01-03-08 of the present Regulations.

38. The major term for long-term incentive payment is fulfillment of long-term KPI of increasing value of the Company.

39. Limit amount of long-term incentive for Top executives is no more than 3 (three) annual official salaries.

40. Planning of funds for long-term incentive remuneration is carried out annually basing on limit of amount of long-term incentive and planned number of Top executives.

41. Payment of remuneration to Top executives is carried out for annual performance of Procedure of Long-Term Incentive and is paid within 3 consecutive years annually:

Table 1

| | Payment period | | |
|-------------------------------|----------------|--------|--------|
| | 1 year | 2 year | 3 year |
| Percentage of limit amount of | 70 | 15 | 15 |



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long-term incentive

42. Deferred part of remuneration isn't paid in case of culpable actions of Top executive within period payment of remuneration according to the Board of Directors decision. At the same time paid part of remuneration may be hold back in the procedure, set by the Laws of the Republic of Kazakhstan, on the basis of adopted decision by the Board of Directors of the Company and Commitments.

43. Employees elected to composition of Executive Body within first half of year of the first year of Procedure of Long-Term Incentive, may be paid long-term incentive for the first period. At the same time period of Procedure of Long-Term Incentive for a new Top executive starts from the election date and ends simultaneously with other Top executives.

8 Document and Record Forms

| number | Name of record | Record Form | Executor | Place of storage | Terms of storage |
|---------------|---|----------------------|------------------------|-------------------------|-------------------------|
| 1 | KPI maps with target rates | RF 01 PR19-01-04-08 | Department Responsible | Department Responsible | 5 year |
| 2 | KPI maps with actual rates | RF 02 PR 19-01-04-08 | Department Responsible | Department Responsible | 5 year |
| 3 | Commitment of participant of Procedure of Long-Term Incentive | RF 03 PR 19-01-04-08 | Department Responsible | Department Responsible | 5 year |



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KPI maps with target rates

Position, Full name _____

| number | Name of KPI | Unit of measure | Significance | Threshold | Goal | Challenge |
|--------|----------------|-----------------|--------------|-----------|------|-----------|
| 1 | Corporate KPI | | | | | |
| | 1) | | | | | |
| | 2) | | | | | |
| | n) | | | | | |
| 2 | Functional KPI | | | | | |
| | 1) | | | | | |
| | 2) | | | | | |
| | n) | | | | | |

Approved by:

| Number | Position | Last name, initials | Signature, date |
|--------|----------|---------------------|-----------------|
| | | | |

Date ____ "____" 20____.



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KPI maps with actual rates

Position, Full Name _____

| number | Name of KPI | Unit of measure | Significance | Fact | Efficiency (%) | Final efficiency (gr.4 * gr.6) |
|--------|----------------|-----------------|--------------|------|----------------|--------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | Corporate KPI | | | | | |
| | 1) | | | | | |
| | 2) | | | | | |
| | n) | | | | | |
| 2 | Functional KPI | | | | | |
| | 1) | | | | | |
| | 2) | | | | | |
| | n) | | | | | |

Approved by:

| Number | Position | Last name, initials | Signature, date |
|--------|----------|---------------------|-----------------|
| | | | |

Date _____ "___" 20__.



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Commitment of participant of Procedure of Long-Term Incentive

_____ "___" 20__

I, _____ (Full Name) in case of:

1) termination of labour agreement and/or changing of data for payment of deferred part of remuneration, I am obliged to notify of these changes Department Responsible of the Company;

2) my culpable actions within period of remuneration, I agree to stoppage on paid part of remuneration or refund of the amount by transfer to bank account of the Company on the basis of the Board of Directors of the Company adopted decision.

Signature

Methodic recommendations to calculation of amount of performance results remuneration

1. Basic amount of performance results remuneration is calculated to the following formula:

$$B = S_{\text{year}} * Am(1)$$

S_{year} - annual amount of employee salary for actual work hours in accounting period (for long-term incentive accounting period is 3 years since launching of Procedure of Long-Term Incentive);

Am - rate of limit remuneration amount, which is equal to annual official salary.

2. Amount of remuneration for the Company’s performance efficiency (R_e) is calculated to the following formula:

$$R_c = R * S_c * R_1, \quad (2)$$

R – basic amount of remuneration;

S_c - remuneration share for execution of corporate KPI;

R_1 – rate, depends on employee’s achieved efficiency of corporate KPI.

3. Amount of remuneration for the Company’s performance efficiency of an employee (R_e) is calculated by formula:

$$R_e = R * S_f * R_2, \quad (3)$$

R – basic amount of remuneration;

S_f - remuneration share for execution of functional KPI;

R_2 – rate, depends on employee’s achieved efficiency of functional KPI.

4. Remuneration share for execution of corporate and functional KPI depends on position level in accordance with position impact on execution of strategic goals of the Company and it should be calculated in accordance with the following Table 1.

Table 1

| Name position | Corporate KPI | Functional KPI |
|---------------------------------------|---------------|----------------|
| For short-term remuneration: | | |
| Top manager | 80% | 20% |
| Deputy of Top Manager | 70% | 30% |
| Member of Executive Body | 60% | 40% |
| Managerial Employee | 50% | 50% |
| For long-term incentive: | | |
| Manager and members of Executive Body | 100% | - |

5. Total remuneration amount (**Rannual**) is calculated as remuneration amount per performance efficiency of the Company (**Rc**) and remuneration of employee performance (**Re**):

$$\mathbf{Rannual = Rc + Re} \quad (4)$$

6. Employee assessment is calculated according to scheme in Table 2.

Table 2

| Actual rate of KPI | KPI efficiency ,% |
|----------------------------|---|
| Lower of THRESHOLD | 0 |
| Equal to THRESHOLD | 50 |
| Between THRESHOLD and GOAL | $(\text{Fact} - \text{Threshold} / \text{Goal} - \text{Threshold}) * 50 + 50$ |
| Equal to GOAL | 100 |
| Between GOAL and CHALLENGE | $(\text{Fact} - \text{Goal} / \text{Challenge} - \text{Goal}) * 25 + 100$ |
| More or equal to CHALLENGE | 125 |

7. Total efficiency to all KPI is determined by the following formula:

$$\sum_{i=1}^n \text{Efficiency_to_KPI}_i * \text{Significance_KPI}_i, \quad (5)$$

n – number of KPI,

i – serial number of KPI.

Example of long-term intensive calculation

Introductory data

Employee position: Managing Director – member of the Management Board

Amount of official salary: 500 000 tenge

Limit remuneration amount – 3 annual official salaries

1. Basic remuneration amount of Manager

For actual work hours in accounting period is:

$$(500 \text{ thousand tenge} * 36 \text{ month}) / 3 * 3 = 18 \text{ 000 thousand tenge}$$

For example, Manager for accounting period was set the following KPI:

| № | Name of KPI | Unit of measure | Significance | Threshold | Goal | Challenge |
|----------------------|------------------|-----------------|--------------|-----------|--------|-----------|
| Corporate KPI | | | | | | |
| 1. | Profit for share | thousand tenge | 40 | 392 | 773 | 800 |
| 2. | Aggregate income | million tenge | 40 | 557910 | 610200 | 670800 |
| 3. | Cash flow | Billion tenge | 20 | 1639 | 1800 | 1900 |
| | | | 100 | | | |

As a annual result Manager achieved the following actual rates on KPI data:

| № | Name of KPI | Unit of measure | Significance | Fact | Efficiency * (%) | Significant efficiency (gr.4 * gr.6) |
|----------------------|------------------|-----------------|--------------|--------|------------------|--------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Corporate KPI | | | | | | |
| 1. | Profit for share | Thousand tenge | 40 | 392 | 50 | 20 |
| 2. | Aggregate income | Million tenge | 40 | 600100 | 90 | 36 |
| 3. | Cash flow | Billion tenge | 20 | 1800 | 100 | 20 |
| | Total | | 100 | | | 76 / 0,76 |

*Calculation of efficiency is made by the following scheme:

| | |
|---------------------------|-----------------------------|
| Actual rate to KPI | Efficiency to KPI, % |
|---------------------------|-----------------------------|



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| | |
|----------------------------|---|
| Lower of THRESHOLD | 0 |
| Equal to THRESHOLD | 50 |
| Between THRESHOLD and GOAL | $(\text{Fact} - \text{Threshold} / \text{Goal} - \text{Threshold}) * 50 + 50$ |
| Equal to GOAL | 100 |
| Between GOAL and CHALLENGE | $(\text{Fact} - \text{Goal} / \text{Challenge} - \text{Goal}) * 25 + 100$ |
| More or equal to CHALLENGE | 125 |

Rate to corporate KPI is 0,76

Amount remuneration for performance efficiency of the Company (60%) is:

$$18\,000 * 0,76 = 13\,680$$